COMSAT CORPORATION

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July 17, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

By Hand Delivery

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

Re: 1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements; United States Telephone Association Petition for Rulemaking, CC Docket No. 98-81, ASD File No. 98-64

Dear Ms. Salas:

On behalf of COMSAT Mobile Communications, a business unit of COMSAT Corporation, I enclose for filing in this docket an original and four copies of the "Comments of COMSAT Mobile Communications."

Also enclosed is an additional copy. Please date-stamp it and return it to our messenger.

If there are any questions about our submission, please call me.

Sincerely,

John E. Benedict

Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matters of	)	
	)	
1998 Biennial Regulatory Review -- Review of Accounting and Cost Allocation Requirements	)	CC Docket No. 98-81
	)	ASD File No. 98-64
United States Telephone Association Petition for Rulemaking	)	

COMMENTS OF
COMSAT MOBILE COMMUNICATIONS

July 17, 1998

COMSAT Corporation, through its COMSAT Mobile Communications business unit ("COMSAT"), respectfully submits these comments on the Notice of Proposed Rulemaking ("NPRM") released on June 17, 1998.

By this NPRM, the Commission proposes to modify accounting, cost allocation, CAM and CAM audit rules to allow mid-sized local exchange carriers ("LECs") currently required to use Class A accounts to use more streamlined, less burdensome Class B accounts. The Commission also proposes to require less burdensome cost allocation manual ("CAM") procedures for mid-sized incumbent LECs, to reduce the frequency of required independent audits of CAM cost allocations, and to reduce accounting requirements to eliminate or consolidate accounts.

Each of these measures makes eminent sense, and COMSAT supports the Commission's proposal. COMSAT agrees with the Commission and the United States Telephone Association ("USTA") that burdens on mid-sized carriers are greater than necessary and should be reduced. Accounting requirements should be lightened, CAM procedures should be made less burdensome, and audits should be biannual and on an attest basis instead of the needlessly stringent annual testing, reporting, and opinion basis currently required.

Although COMSAT was not explicitly part of USTA's petition, the Commission should clarify that the same relief applies to COMSAT. Like the carriers covered by the NPRM, COMSAT also is subject to burdensome and outdated cost accounting and CAM requirements, which apply to its COMSAT Mobile Communications business unit ("CMC"). For COMSAT, the CAM and CAM audit requirements are a particularly heavy burden.[1]

Reducing these requirements on COMSAT, in parallel with mid-sized LECs, is in the public interest. COMSAT is also a small carrier. CMC's 1997 annual revenues were just $168 million, a level much smaller than the $7 billion threshold proposed in the NPRM.[2] Moreover, CMC's services are subject

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1 Although COMSAT is not subject to Part 32, it has, in its CAM submissions, always sought to emulate that requirement where possible.

2 COMSAT Corporation's entire 1997 revenues, across all divisions and subsidiaries, were just $563 million.

to substantial competition, such that there is really no opportunity for cross-subsidies. Additionally, as a mobile satellite carrier, CMC's number of transactions is naturally much smaller than a comparably-sized LEC.

As with mid-sized LECs, the Commission can exercise sufficient monitoring of COMSAT while imposing less burdensome procedures as long as such oversight requirements remain in place.

COMSAT has always complied with the Commission's requirements, and its submissions have always been satisfactory. COMSAT's compliance with the extensive, and excessive, CAM accounting and audit procedures is genuinely substantial and costly burden with little public benefit. Lightening this burden will save resources that can be better allocated to other purposes -- for the benefit of both customers and the company.[3]

Therefore, as the Commission addresses the cost accounting, CAM, and audit requirements for mid-sized LECs, it should also clarify that comparable relief also applies to COMSAT, and extend to COMSAT the same lessen burdensome

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[3] COMSAT actually petitioned the FCC to lift these accounting and cost allocation burdens, and the petition remains pending.

cost accounting/CAM and audit procedures that it recognizes are appropriate for mid-sized and smaller LECs.

Respectfully submitted,

COMSAT Corporation
COMSAT Mobile Communications

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